November 1987

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Railway Age

...for the new age of railways and rail transit

BN's Expediter trains: Good service builds business

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NJ Rail Transit: Girding against gridlock

The "new" railroads: What's the outlook?

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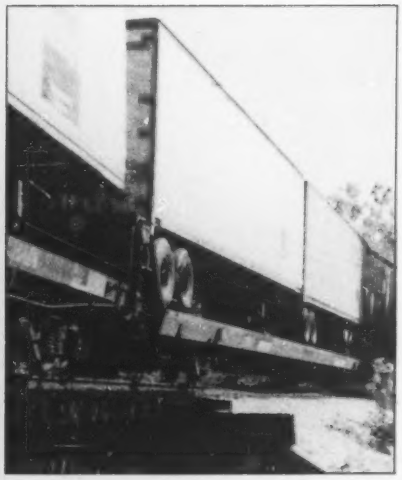

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Inside

Osage to Waterloo and back

LUTHER S. MILLER

Jack Haley used to say, with that charismatic grin that made him a favorite on the speaker's circuit, "I'm the only railroad president I know who wrote a $1 million check and who moved from a perfectly nice house on the banks of the Potomac to a one-room apartment over a bar in Osage, Iowa, in order to get into the railroad business."

Haley did not stay long in Osage, headquarters of the 113-mile Cedar Valley, his first venture in the new and booming business of regional railroading. With the help of the General Electric Credit Corp., he negotiated a $75-million deal for a railroad seven times as big, a piece of the Illinois Central Gulf which he named the Chicago, Central & Pacific, and he moved to Waterloo, Iowa, to run it.

Haley's success in forging favorable labor agreements and his folksy, hands-on approach to shipper relations won thunderous applause across the land, particularly among those who felt that the Class I's had become too big and unwieldy to deal effectively with either their employees or their customers. It was applause that all but drowned out some profoundly troubling noises in the background.

The fact is, CC&P was undercapitalized and overconfident, and that is not entirely hindsight.

Chicago Central's success was never viewed by railroad people—including Jack Haley—as anything approaching a sure thing. As *Railway Age* reported last December, after talking with the sage of Osage and Waterloo: "Haley urgently needs a surge in revenue to carry his load of debt. He borrowed $75 million to secure 674 miles of track, 99 miles of trackage rights, 80 locomotives, and assorted equipment. The net liquidation value of the line, considered redundant by some railroad analysts, is estimated at $32 million."

Haley himself told *Railway Age:*

"In a few years you can say, 'I heard him say he was going to do it that way, and he went bankrupt.' Or you can say, 'I heard him say he was going to decentralize the railroad, and he has succeeded.' But you won't be able to say that I just kept doing it the same way. That just won't work. I've laid it on the line for $75 million, and I have the right to fail."

The one flaw in that prescient statement was that it didn't take a few years for at least the preliminary verdict to come in. Last month, after an unsuccessful effort to take the CC&P into bankruptcy and thus fend off his chief creditor, Haley was back in Osage, musing on what had gone wrong at Waterloo. He shared his thoughts with *Railway Age*. What he had to say is part of our story exploring the outlook for regional railroading in the wake of the CC&P affair (p. 42).

Haley can and does pinpoint a number of reasons for his failure at Waterloo, but he offers no excuses. He may have been given bad advice, but he accepted that advice, he points out. Is he a defeated man? Far from it. Knowing all that he now knows about regional railroading, he told us, he can't wait to buy another one.

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Market Outlook

Equipment

Burlington Northern Intermodal: Is leasing 1,000 45-foot-by-102-inch new Fruehauf trailers from Transamerica Transportation Services, Inc. Half of the trailers incorporate a low silhouette header and coupler permitting a 110-inch door opening height and increased cubic capacity.

Norfolk Southern: Placed an order with Kipp for 189 programmable, microprocessor-controlled TRACK-MASTER wheel flange lubrication systems. The order followed a year of tests during which 25 units were installed on NS SD-60 locomotives. The units were custom-programmed to the territories being traveled.

Olin Corp.: Acquired 200 16,500-gallon-capacity caustic soda tank cars, built by Trinity Industries and valued at more than $9 million, through a lease arrangement with GATX. Olin will use the cars in conjunction with a new chlorine and caustic soda producing plant in Niagara Falls, N.Y. Cars have corrosion resistant paint, interior linings, stainless steel valves, and positive slope to center design for fast unloading.

Facilities

BC Transit: Awarded a contract to H.J. Skelton (Canada) Ltd. for special rail expansion joints to be used on the Fraser River suspension bridge portion of the Skytrain extension. Skelton is the Canadian representative of Schmiedewerke Krugg-Klöckner of Bochum, West Germany, which manufactures the joints.

Conrail: Is investing $1.35 million in a new intermodal terminal at Rochester, N.Y., that will have capacity for 38 railcars and parking space for 157 trailers.

Los Angeles County Transportation Commission: Awarded a $20 million contract to Homer J. Olsen, Inc., of Union City, Calif., to construct a subway from 12th and Flower Streets (at grade) to 7th and Flower Streets (underground) as part of the 21-mile, $690-million Long Beach-Los Angeles light rail project.

Metro-North: Awarded a $6.5-million contract to a joint venture of Kaiser Engineers and Envirodyne Engineers to manage the $94-million rehabilitation of the Park Avenue tunnel in New York City.

PATH: Will invest $40.4 million in a new Central Control and Communications System (CCCS). Philip D. Kaltenbacher, chairman of the Port Authority of New York and New Jersey, said the new system "will allow centralized control of the new and upgraded electrical substations and switching stations which provide power for increased train operations, passenger stations, and the new tunnel emergency ventilation system. It will also provide PATH with a more reliable and efficient state of the art communications system." The CCCS will use a fiber optic network to link remote power locations with the existing John F. Hoban Operations Control Center in Jersey City.

Toronto Transit Commission: Awarded a $23.9-million (Canadian) contract to Giuseppe Torno Engineering for construction of the first section of the 2.13-km Harbourfront LRT.

Revenue freight carloadings

Commodity	Oct. 10 week	Oct. 3 week	Sept. 26 week	Sept. 19 week	Sept. 12 week
Grain	34,016	35,121	34,916	33,682	28,188
Other farm products	4,837	3,947	4,175	4,004	3,160
Metallic ores	21,645	22,326	21,617	18,140	17,652
Coal	122,081	124,502	124,711	124,220	110,446
Crushed stone, gravel and sand	17,797	18,174	17,882	17,554	13,998
Nonmetallic minerals	9,794	10,173	10,606	10,816	9,463
Grain mill products	11,636	11,460	11,306	11,317	9,535
Food and kindred products	11,537	12,036	11,782	11,812	9,518
Primary forest products	10,813	11,322	11,206	11,120	8,900
Lumber and wood products except furniture	7,764	8,452	8,439	8,510	5,860
Pulp, paper and allied products	12,226	13,271	12,431	12,656	11,704
Chemicals and allied products	26,067	27,532	27,209	27,603	23,497
Petroleum products	4,656	4,404	4,993	4,814	4,622
Stone, clay and glass products	11,783	11,774	11,655	11,909	10,352
Coke	5,254	5,385	5,068	5,092	5,081
Metals and products	9,617	10,841	10,073	9,748	8,433
Motor vehicles and equipment	20,963	20,746	19,737	19,071	15,971
Waste and scrap materials	9,751	9,698	9,769	10,091	7,723
Forwarder and shipper assn. traffic	3,048	3,340	3,092	3,123	2,568
All other carloads	84,291	85,154	85,700	81,177	66,119
LCL traffic	—	—	—	91	101
Total Cars Loaded	**439,575**	**449,658**	**446,357**	**436,550**	**373,891**
% change from previous year	10.9	11.6	8.5	8.5	7.3
Estimated revenue ton-miles (billions)	19.3	19.7	19.5	19.4	16.4
% change from previous year	11.7	11.0	10.3	9.5	6.6

Total:	1987	1986	% change
41 weeks	722.7	687.9	5.1

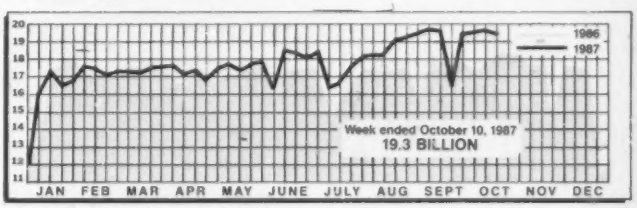
Piggyback loadings

	Oct. 10 week	Oct. 3 week	Sept. 26 week	Sept. 19 week	Sept. 12 week
Trailers/containers	108,916	110,175	108,454	106,023	89,396

Cumulative total, 41 weeks		% change from 1986
Trailers/containers	4,028,904	3.1

Rail freight traffic trends

Billion ton-miles (Estimated)



Source: Association of American Railroads